



CAPITAL ADVISORS

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June 24, 2005

Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 Twelfth Street, S.W., Room TW-B204  
Washington, DC 20554

Re: WT Docket 02-353  
WT Docket 04-356  
RM-10956

Dear Ms. Dortch:

By this letter, SR Capital Advisors (“SR”) comments on the dockets referenced above. SR believes that the Commission must modify the designated entity (DE) program as it relates to upcoming Advanced Wireless Services (AWS) auctions and other future auctions to maintain the integrity and continuity of the program. With such modifications, providers of capital, such as SR, will be more likely to continue to finance DEs as they have in the past.

By way of background, SR is a private equity investor focused on the media and communications industry with current investments in both the wireless and tower sectors.

The number one problem with the Commission’s auction rules today is that the large national carriers, through “partnerships” with DEs, have come to usurp the benefits otherwise intended for legitimate designated entities. The result is that legitimate DEs – small businesses, new entrants and minority and women-owned businesses – are less able to compete effectively in the auctions against the large national carriers. Consequently, legitimate DEs face significantly higher hurdles in accessing the capital needed to build their businesses.

Within the universe of designated entities, a second problem has become apparent. Specifically, high net worth individuals, acting as the controlling

interests in DE applicants, are crowding out legitimate DEs. The DE program should not become a means for wealthy individuals to obtain government economic assistance. Such individuals should be encouraged to contribute to the success of legitimate DEs by serving as managers, directors and / or non-controlling investors in DEs, but they should not be permitted to qualify as DEs themselves.

Both of these concerns are exacerbated by the dramatic consolidation in the wireless industry where the top-5 national wireless carriers today (pro forma for pending mergers) control 89% of wireless subscribers nationwide, up from just 50% ten years ago. The national carriers are in an even more dominant position than they have been at any time in the past, further underscoring the need for the Commission to revise its DE rules, restoring integrity to the program and ensuring that DEs will have access to needed capital going forward.

We therefore urge the Commission to adopt four specific changes to the existing DE Program to address this situation. Specifically, we recommend that:

- Large incumbent wireless carriers (defined as having wireless revenues of \$5 billion or more) should not be allowed to partner with DEs in-region.
- The maximum AWS DE bid credit should increase from 25% to 35%.
- The DE bid credit should increase by 10 points (i.e., from our maximum proposed 35% to 45%) for those DEs who disproportionately serve underserved segments of the population, namely low income and minority group segments.
- High net worth individuals (with net worth exceeding \$3 million, excluding interests in their primary house) should not have a controlling interest in a DE.

These changes to the DE Program will help promote competition and ensure diversity of ownership in the wireless industry, benefiting carriers and consumers alike. Importantly, this is highly consistent with the Commission's intent in forming the DE Program to implement Section 309(j) of the Communications Act.

We ask the Commission to amend the current auction rules ahead of the upcoming Advanced Wireless Services auctions to preserve real competition in the wireless industry and advance the Commission's work regarding Section 309(j).

Respectfully submitted,

Marlene H. Dortch  
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/s/ Steve Roberts

Steven Roberts  
Managing Director